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ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED:
09 / 30 / 13

CONTINUING CARE
CONTRACTS BRANCH

PROVIDER(S): University Retirement Community at Davis

CCRC(S): University Retirement Community at Davis

CONTACT PERSON: Katrina Clark

TELEPHONE NO.: (541) 857-7641 EMAIL: kclark@retirement.org

A complete annual report must consist of 3 copies of all of the following:

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 15,479.19
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for **each** community.
- Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.



R E C E I V E D
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CONTINUING CARE
CONTRACTS BRANCH

January 30, 2014

Allison Nakatomi
Department of Social Services
744 "P" Street, M. S. 10-90
Sacramento, CA 95814

Re: Annual Report of University Retirement Community at Davis
Certification by Chief Executive Officer

Dear Allison:

Enclosed you will find the following compliance items for the fiscal year ending September 30, 2013 for the University Retirement Community

1. Annual report checklist
2. Checks for the annual provider fee for University Retirement Community totaling \$15,479.19
3. Certificate of the CEO
4. Resident population Form 1-1
5. Insurance policies
6. Direct method Cash Flow Certificate
7. Audited Financial Statement and Auditors Opinion with direct method cash flow
8. Audited Reserve Reports
9. Annual Disclosure Statement
10. Adjustments in monthly care fees form 7-1
11. Assumptions & selected statistics from the 2012/2013 budget

Sincerely,

Brian McLemore, CEO
Pacific Retirement Services, Inc.





R E C E I V E D
FEB 03 2014
CONTINUING CARE
CONTRACTS BRANCH

January 30, 2014

Allison Nakatomi
Department of Social Services
744 "P" Street, M. S. 10-90
Sacramento, CA 95814

Re: Annual Report of University Retirement Community at Davis
Certification by Chief Executive Officer

The annual report and any amendments thereto are correct to the best of my knowledge.

To the best of my knowledge every continuing care contract form in use or offered to new residents has been approved by the Department of Social Services.

As of January 30, 2014, University Retirement Community is maintaining the required liquid reserve and refund reserve.

Sincerely,

A handwritten signature in black ink, appearing to read "B. McLemore", is written over the word "Sincerely,".

Brian McLemore, CEO
Pacific Retirement Services, Inc.
University Retirement Community at Davis, Inc.





R E C E I V E D
FEB 03 2014
CONTINUING CARE
CONTRACTS BRANCH

January 30, 2014

Allison Nakatomi
Department of Social Services
744 "P" Street, M.S. 10-90
Sacramento, CA 95814

RE: Direct Method Cash Flow

Dear Allison:

I certify that the Direct Method Cash Flow that is attached has been reviewed by our auditors, Moss Adams. They have assured us that they found it to be accurately stated.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian McLemore", with a long horizontal flourish extending to the right.

Brian McLemore, CEO
Pacific Retirement Services, Inc.
University Retirement Community at Davis, Inc.



**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	<u>315</u>
[2]	Number at end of fiscal year	<u>334</u>
[3]	Total Lines 1 and 2	<u>649</u>
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x 0.50
[5]	Mean number of continuing care residents	<u>324.5</u>
All Residents		
[6]	Number at beginning of fiscal year	<u>335</u>
[7]	Number at end of fiscal year	<u>342</u>
[8]	Total Lines 5 and 6	<u>677</u>
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x 0.50
[10]	Mean number of all residents	<u>338.5</u>
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	<u>0.96</u>

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only) <u>19,467,933</u>
[a]	Depreciation <u>2,810,754</u>
[b]	Debt Service (Interest Only) <u>510,170</u>
[2]	Subtotal (add Line 1a and 1b) <u>3,320,924</u>
[3]	Subtract Line 2 from Line 1 and enter result. <u>16,147,009</u>
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11) <u>0.96</u>
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4) <u>15,479,186</u>
[6]	Total Amount Due (multiply Line 5 by .001) <u>15,479.19</u>

Provider: University Retirement Community at Davis
Community: University Retirement Community at Davis

Client#: 91023

PACIRETI

ACORD™

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 1/23/2013

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CONTINUING CARE
CONTRACTS DIVISION

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Propel Insurance Tacoma Commercial Insurance 1201 Pacific Ave, Suite 1000 Tacoma, WA 98402	CONTACT NAME: Julie Valley PHONE (A/C, No, Ext): 800.499.0933 E-MAIL ADDRESS: jav@propelinsurance.com	FAX (A/C, No): 866.577.1326
	INSURER(S) AFFORDING COVERAGE INSURER A: Travelers Casualty & Surety Co.	
INSURED University Retirement Community at Davis, Inc. 965 Ellendale Drive Medford, OR 97504	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	
	INSURER F:	
	INSURER G:	

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$ WC STATUTORY LIMITS OTHER
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y <input checked="" type="checkbox"/> N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Crime / Fidelity			105699312	10/01/2012	10/01/2013	\$1,000,000 Limit \$10,000 Deductible

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
University Retirement Community at Davis, Inc., a California nonprofit public benefit corporation
located at: 1515 Shasta Drive, Davis, CA 95616

CERTIFICATE HOLDER California Department of Social Services 744 P Street, Mail Station 8-4-192 Sacramento, CA 95814	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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R E C E I V E D

FEB 03 2014

**CONTINUING CARE
CONTRACTS BRANCH**

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

**University Retirement Community
at Davis, Inc.**

September 30, 2013 and 2012

MOSS ADAMS LLP

The Most People Know Us As: Accountants & Business Strategists

Accountants. Auditors. Advisors.

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REPORT OF INDEPENDENT AUDITORS

CONTINUING CARE
 CONTRACTS BRANCH

To the Board of Directors
 University Retirement Community at Davis, Inc.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of University Retirement Community at Davis, Inc. (the "Corporation") which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University Retirement Community at Davis, Inc. as of September 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3, during the year ended September 30, 2013, the Corporation obtained sole corporate membership and control of University Retirement Community at Davis, Foundation, Inc.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of consolidating statements of financial position, consolidating statements of activities and changes in net assets, consolidating statements of cash flows, and statements of cash flows - direct method (URCAD only), presented as supplementary information, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

San Francisco, California
January 23, 2014

CONSOLIDATED FINANCIAL STATEMENTS

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,553,182	\$ 3,788,167
Short-term investments	28,188,662	13,127,407
Accounts receivable, net	670,527	368,486
Supplies and prepaid expenses	322,380	260,809
Total current assets	31,734,751	17,544,869
PROPERTY AND EQUIPMENT, NET	50,630,008	52,040,943
OTHER ASSETS		
Assets restricted under bond indenture agreement	3,886	2,222,319
Bond issue and other financing costs, net	504,760	996,693
Other assets	-	2,200,000
Gift annuities	11,802	11,802
Total other assets	520,448	5,430,814
	<u>\$ 82,885,207</u>	<u>\$ 75,016,626</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,709,933	\$ 1,392,033
Refundable deposits	159,750	226,000
Current portion of long-term debt	880,000	970,000
Due to affiliates, net	188,067	153,754
Other current liabilities	53,287	1,109
Total current liabilities	2,991,037	2,742,896
OTHER LIABILITIES		
Long-term debt, net of current portion	32,828,000	33,405,000
Interest rate swap agreement	3,982,489	6,452,724
Deferred revenue from entrance fees	33,443,264	27,409,453
Total liabilities	73,244,790	70,010,073
NET ASSETS		
Unrestricted	9,602,242	4,978,458
Temporarily restricted	38,175	28,095
Total net assets	9,640,417	5,006,553
	<u>\$ 82,885,207</u>	<u>\$ 75,016,626</u>

See accompanying notes.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended September 30, 2013 and 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES		
Service fees	\$ 12,025,212	\$ 11,401,478
Health center revenue	4,209,298	3,768,110
Entrance fees earned	4,624,189	3,698,291
Investment income	497,214	236,318
Contributions	137,710	88,105
Other revenue	708,088	812,803
Total revenues	22,201,711	20,005,105
Net assets released from restrictions	9,257	4,263
Total revenue, gains, and support	22,210,968	20,009,368
EXPENSES		
Program expenses:		
Dietary	2,853,652	2,805,056
Facility services and utilities	3,392,234	3,227,990
Health and social services	3,936,499	3,957,110
Memory care	269,041	9,358
Assisted living	660,463	774,229
General and administrative expenses:		
Administrative and marketing	1,917,428	1,752,838
Interest expense and financing fees	762,630	815,395
Net settlement associated with interest rate swap agreement	1,089,970	1,083,352
Depreciation	2,810,754	2,762,082
Fees to affiliates	1,605,241	1,311,986
Net loss on disposal of property and equipment	171,962	237,005
Foundation program support	31,159	11,120
Total expenses	19,501,033	18,747,521
OPERATING INCOME	2,709,935	1,261,847
NONOPERATING INCOME (LOSS)		
Loss on extinguishment of debt	(951,637)	-
Unrealized change in value of investments	395,251	614,073
Change in value of interest rate swap agreement	2,470,235	(723,335)
Total nonoperating income (loss)	1,913,849	(109,262)
Change in unrestricted net assets	4,623,784	1,152,585
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	19,337	4,700
Actuarial loss on gift annuities receivable	-	(10,190)
Net assets released from restriction	(9,257)	(4,263)
Change in temporarily restricted net assets	10,080	(9,753)
CHANGE IN NET ASSETS	4,633,864	1,142,832
NET ASSETS, beginning of year	5,006,553	3,863,721
NET ASSETS, end of year	\$ 9,640,417	\$ 5,006,553

See accompanying notes.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,633,864	\$ 1,142,832
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	2,810,754	2,762,082
Amortization included in financing fees	48,678	49,154
Loss on extinguishment of debt	951,637	-
Change in value of interest rate swap agreement	(2,470,235)	723,335
Entrance fees received from new residents	10,882,100	5,683,450
Entrance fees earned	(4,624,189)	(3,698,291)
Entrance fees refunded	(274,500)	(152,340)
Unrealized change in value of investments	(395,251)	(614,073)
Realized gain and reinvested income on investments	(497,214)	(236,318)
Actuarial loss on gift annuities receivable	-	10,190
Net loss on disposal of property and equipment	171,962	237,005
Net changes in:		
Accounts receivable, net	(251,641)	(3,234)
Supplies and prepaid expenses	(61,571)	(26,803)
Accounts payable and accrued expenses	274,917	(1,682,802)
Refundable deposits	(66,250)	(223,150)
Due to affiliates, net	34,313	(30,538)
Net cash provided by operating activities	<u>11,167,374</u>	<u>3,940,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,476,620)	(1,734,884)
Purchase of investments	(14,168,790)	(1,557,023)
Proceeds from sale of investments	-	3,200,000
Change in collateral posted related to interest rate swap agreement	2,200,000	(1,090,000)
Change in assets restricted under bond indenture agreement, net of realized gains	<u>2,218,433</u>	<u>1,481,887</u>
Net cash (used in) provided by investing activities	<u>(11,226,977)</u>	<u>299,980</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond issue costs paid	(508,382)	-
Proceeds from issuance of long-term debt	33,708,000	-
Repayment of long-term debt	<u>(34,375,000)</u>	<u>(4,290,000)</u>
Net cash used in financing activities	<u>(1,175,382)</u>	<u>(4,290,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,234,985)</u>	<u>(49,521)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,788,167</u>	<u>3,837,688</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,553,182</u>	<u>\$ 3,788,167</u>
SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION		
Cash paid during the year for interest and letter of credit fees	<u>\$ 604,336</u>	<u>\$ 714,057</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment financed with accounts payable and accrued expenses	<u>\$ 95,161</u>	<u>\$ 157,192</u>

See accompanying notes.

**UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – ORGANIZATION

University Retirement Community at Davis, Inc. (“URCAD”), was founded as a California nonprofit public benefit corporation to provide residential facilities, health and welfare programs, and various services and sponsor programs for the elderly and operates a continuing care retirement community in Davis, California.

University Retirement Community at Davis Foundation, Inc. (the “Foundation” or “URCADF”), was established by the Board of Directors and residents of URCAD to acquire, hold, and use gifts from donors for the needs of URCAD and other related programs. The Foundation is a tax-exempt, not-for-profit corporation incorporated under the laws of the State of California. Contributions to the Foundation are tax deductible by the donor as provided by the Internal Revenue Code. Restricted funds received by the Foundation are disbursed according to the donor’s specified purpose.

URCAD is an affiliate of Pacific Retirement Services, Inc. (“PRS”). PRS includes the following organizations: Rogue Valley Manor (“RVM”) (including Rogue Valley Manor Foundation, Inc. [“RVM Foundation”]); The Cumberland Rest, Inc., d.b.a. Trinity Terrace (“Trinity Terrace”); Cascade Manor, Inc. (“Cascade”); Holiaday Park Plaza, Inc. (“HPP”) (including Holladay Park Plaza Resident’s Assistance Trust); University Retirement Community at Davis, Inc. (“URCAD”) (including University Retirement Community at Davis Foundation, Inc.); Mirabella (“Mirabella Seattle”); Capitol Lakes, Inc. (“Capitol Lakes”) (including Capitol Lakes Foundation, Inc., Middleton Glen, Inc., and Senior Housing of Middleton, Inc.); Mirabella at South Waterfront (“Mirabella Portland”) (including Mirabella Portland Foundation, Inc.); various affiliated foundations (consisting of Holladay Park Plaza Foundation, Inc.; The Trinity Terrace Foundation, Inc.; Cascade Manor Foundation, Inc.; Mirabella Washington Foundation, Inc.) (collectively “Affiliated Foundations”); Rogue Valley Manor Housing Corporation (“RVMHC”); Rogue Valley Manor Community Services, Inc.; 965 Ellendale LLC (included in PRS); Crest Park, Incorporated (“Crest Park”) (including Pacific Retirement Hospitality, LLC, and Roxy Ann Peak LLC); Retirement Services, Inc. (“RS Inc.”) (including Retirement Services, LLC [RSLLC]; and The Centennial, Inc. [Centennial]).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BASIS OF ACCOUNTING

Basis of presentation – The accompanying consolidated financial statements include accounts of URCAD and the Foundation (collectively, the “Corporation”). All significant intercompany balances and transactions have been eliminated.

Performance indicator – “Change in unrestricted net assets” as reflected in the accompanying consolidated statements of activities and changes in net assets, is the performance indicator. Change in unrestricted net assets includes all changes in unrestricted net assets, including unrealized change in value of trading investments, change in value of interest rate swap agreement, loss on extinguishment of debt, and excluding receipt of restricted contributions, contributions of, and asset released from donor restrictions, change in value of gift annuities, and investment returns restricted by donors or law.

Cash and cash equivalents – Cash and cash equivalents include cash, money market accounts, and commercial paper with maturities of three months or less at date of acquisition that are not otherwise held by an investment advisor or restricted under bond indenture agreements.

Short-term investments – Investments are stated at fair value based on quoted market prices. Investments in marketable securities are adjusted to fair value through recognition of unrealized gains and losses in performance indicator as they are classified as trading securities. Gains or losses are calculated based on specific identification of the investments. Dividend, interest, and other investment income are recorded net of related custodial and advisory fees.

Assets restricted under bond indenture agreement – Under the terms of the indenture agreement (the “2010 Agreement”) between the California Statewide Communities Development Authority (the “Authority”), the Corporation and U.S. Bank National Association, as Trustee, the Corporation was required to establish trust funds (Debt Service Reserve Fund) for the payment of interest and principal on the 2010 bonds in case money in the bond fund was insufficient to make such payments when due, whether on an interest payment date, redemption date, maturity date, or otherwise. If money was withdrawn, the Corporation was then obligated to make additional deposits into the Debt Service Reserve Fund to maintain its balance in the amount equal to the debt service reserve requirements. The required minimum Debt Service Reserve Fund balance under the 2010 Agreement was \$0 and \$2,112,566 at September 30, 2013 and 2012, respectively. On August 29, 2013 assets restricted under bond indenture were used to refund a portion of the Series 2010 debt in connection with the Series 2013 refinancing.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The balance of the Debt Service Reserve Fund for the 2010 bonds was \$86 and \$2,112,584 at September 30, 2013 and 2012, respectively. In addition, \$0 and \$76 was included in assets restricted under bond indenture agreement at September 30, 2013 and 2012, respectively, and represents the unspent proceeds from the Series 2008 Bonds. The Corporation also has accumulated funds in the Debt Service Fund that will be used to pay the principal and interest on the Series 2008 and 2010 Bonds. The balance of the accumulated funds at September 30, 2013 and 2012 was \$0 and \$109,659, respectively. Also included in asset restricted under bond indenture are excess funds from the refinancing of \$3,800 that was disbursed in October 2013. Assets restricted under bond indenture are stated at fair value.

Accounts receivable – Accounts receivable primarily represents amounts due from residents for living accommodations, services, amounts due from third-party payor, and interest receivable. The Corporation receives payment for health services from residents, insurance companies, Medicare, HMOs, and other third-party payors. As a result, the Corporation is exposed to certain credit risks. The Corporation manages its risk by regularly reviewing its accounts and by providing appropriate allowances for uncollectible accounts. An allowance for doubtful accounts is established based on past collection history and specific identification of uncollectible amounts.

Property and equipment – Purchased property and equipment are recorded at cost, or fair value when received, if donated. The cost basis includes any interest, finance charges, major replacements and improvements, and other related costs capitalized during construction. Maintenance, repairs, and minor replacements are charged to expense when incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

The Corporation, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairment are identified. The review addresses the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No impairment losses were present for the years ended September 30, 2013 and 2012.

Bond issue and other financing costs – Bond issue and other financing costs are amortized over the term of the bonds. For the years ended September 30, 2013 and 2012, amortization expense was \$48,678 and \$49,154, respectively, and as of September 30, 2013 and 2012, accumulated amortization was \$3,622 and \$110,894, respectively. Issue costs relating to the 2013 bond issue in the amount of \$508,382 were capitalized during the year. For the year ended September 30, 2013, \$951,637 in deferred financing costs was written off in connection with the refinancing of the Series 2013 Bonds.

Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc. – In accordance with the provisions of accounting for transfers of assets to a not-for-profit organization, URCAD recognizes its share of the net assets of the Foundation that represent contributions received by the Foundation for which URCAD will benefit. The irrevocable contributions received by the Foundation for which URCAD will benefit are restricted by the donor for a specific purpose, and, therefore, are classified as either permanently or temporarily restricted net assets by the Foundation. When the Foundation's Board authorizes release of funds to satisfy the donor's intent, all activity for the transaction is recorded by the Foundation. Annually, URCAD evaluates the Foundation net assets to determine the value assigned to benefit URCAD. As of and for the year ended September 30, 2013 and 2012, the beneficial interest in net asset of University Retirement Community at Davis Foundation, Inc., and changes in the beneficial interest in the net assets of University Retirement Community at Davis Foundation, Inc., have been eliminated in consolidation.

Refundable deposits – The Corporation requires each applicant for residency to pay a \$1,000 application fee deposit. This deposit will be refunded if the application is denied. If the application is approved but subsequently withdrawn, a portion is refunded. When a unit becomes available, the applicant is also required to pay an entrance fee deposit, which varies in amount, to reserve the unit prior to occupancy. This entrance fee deposit is refundable prior to occupancy.

Deferred revenue from entrance fees – Fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and are amortized to income over the estimated remaining actuarial life expectancy of the resident. Included in such deferred revenue are amounts expected to be refunded to residents, as actuarially determined. As of September 30, 2013 and 2012, \$586,612 and \$295,096 was estimated to be refunded, respectively.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Obligation to provide future services – The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (Obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation is discounted at 5.5% for 2013 and 2012, based on the expected long-term rate of return on government obligations. At September 30, 2013 and 2012, no additional future service liability was deemed to exist.

Interest rate swap agreement – The Corporation has an interest rate swap agreement (see Note 8), which is recorded on the statements of financial position at fair value. As this derivative does not qualify as an effective hedge, the changes in fair value of the derivative are recognized in nonoperating loss on the statements of activities and changes in net asset in accordance with Accounting Standards Codification (“ASC”) 815, Derivatives and Hedging. In addition, there is a collateral posting requirement if either the Corporation or Merrill Lynch (the “Counterparty”) exceeds a certain dollar threshold in terms of the market value. The Corporation reports any collateral posted as an other asset on the statements of financial position. The collateral posting level is also contingent on the credit rating of the Corporation. If the Corporation were to experience a downgrade in its credit rating, the posting threshold would increase. The collateral posting requirements at September 30, 2013 and 2012, was \$0 and \$2,200,000, respectively.

Net assets – The Corporation reports three classifications of net assets. A description of each classification of net assets is as follows:

Unrestricted net assets – represent unrestricted resources available to support the Corporation’s operations and temporarily restricted resources which have become available for use by the Corporation in accordance with the intention of the donor.

Temporarily restricted net assets – represent contributions that are limited in use by the Corporation in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Corporation according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.

Permanently restricted net assets – represent net assets subject to donor imposed stipulations that they be maintained by the Corporation in perpetuity. The Board of Directors has interpreted California’s enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA), as requiring the preservation of the fair value of the original gift as of the gift date of permanently restricted donations absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanently restricted fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the donors of these assets permit the Corporation to use all or part of the investment return on these assets.

Contributions – The Corporation reports unconditional contributions of cash and other assets at fair value at the date the contribution is made. Conditional contributions are reported at fair value at the date the conditions are substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as temporarily restricted contributions and net assets released from restriction in the accompanying financial statements.

Revenue recognition – Service fees and health center revenues are recognized in the month in which services are provided and collectability is reasonably assured. In addition, health center revenue is presented net of third-party rate adjustments. Other revenue is recognized as the related services are provided and includes guest services income, catering income, and other miscellaneous income.

The Corporation provides health care services primarily to residents of its communities. Laws and regulations governing Medicare programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare program.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Charity care – The Corporation provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Because the Corporation does not normally pursue collection of amounts determined to qualify as benevolence, they are not reported as revenue.

Tax-exempt status – The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related activities. No tax provision has been made in the accompanying statements of activities and changes in net assets.

The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At September 30, 2013 and 2012, there were no such uncertain tax positions.

Concentration of risks – The Corporation's cash, cash equivalents, investments, and assets restricted under bond indenture agreement consist of various financial instruments. These financial instruments may subject the Corporation to concentrations of risk as, from time to time, cash and investment balances may exceed amounts insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation, the fair value of debt securities are dependent on the ability of the issuer to honor its contractual commitments, and the fair value of investments are subject to change. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Concentration of credit risk results from the Corporation granting credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables as of September 30, 2013 and 2012, from residents and third-party payors is listed at Note 5.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenses, gains and losses during the reporting period. Significant items subject to such estimates and assumptions include future service obligation and deferred revenue from entrance fees. Actual results could differ from those estimates.

Fair value of financial instruments – Unless otherwise indicated, the fair value of all reported assets and liabilities that represented financial instruments approximate their carrying values. The Corporation's policy is to recognize transfers in and transfers out of Level 1 and Level 2 as of the end of the reporting period. Please see Note 11 for fair value hierarchy disclosures of short term investments, assets held by bond indenture, other assets held for swap collateral purposes, interest rate swap agreement, and long-term debt.

Advertising – The Corporation expenses advertising costs as incurred. The Corporation's advertising expense for the years ended September 30, 2013 and 2012, was \$225,585 and \$274,232, respectively.

Reclassifications – Certain financial statement reclassifications have been made to prior year balances for comparability purposes and had no impact on changes in net assets or net assets as previously reported.

New accounting pronouncements – In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"), which amended ASC Topic 820, Fair Value Measurement ("ASC 820") to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The corporation adopted ASU 2011-04 for the 2013 fiscal year. The adoption did not have a material effect on the Corporation's consolidated financial statements.

In July 2012, the FASB issued ASU No. 2012-01, *Continuing Care Retirement Communities – Refundable Advance Fees* ("ASU 2012-01"), to clarify that an entity should classify an advance fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability. The adoption of ASU 2012-01 is effective for the Corporation beginning October 1, 2013. The adoption of ASU 2012-01 is not expected to have a material impact on the Corporation's consolidated financial statements.

**UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

In October 2012, the FASB issued ASU No. 2012-05, *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU 2012-05"), to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the NFP. The adoption of ASU 2012-05 is effective for the Corporation beginning October 1, 2014. The adoption of ASU 2012-05 is not expected to have a material impact on the Corporation's consolidated financial statements.

NOTE 3 - ACQUISITION OF THE FOUNDATION

On December 10, 2012, amended Articles of Incorporation were filed with the California Secretary of State to transfer the sole corporate membership and control of URCADF from PRS to URCAD. The PRS, URCADF, and URCAD Boards of Directors had previously approved this action. As the Foundation was established to acquire, hold, and use gifts from donors for the needs of URCAD and other related programs, the transfer of sole corporate membership was accomplished to more closely align the Foundation and URCAD for financial reporting purposes. Accordingly, URCAD's consolidated financial position and related consolidated results of operations and changes in net assets and consolidated cash flows include URCADF, as if URCADF had been consolidated for all periods presented, resulting in a restatement of the consolidated beginning net assets for the year ended September 30, 2012.

The following table presents certain consolidated financial statement captions as previously reported which does not consolidate URCADF with the Corporation, and compares them to the current presentation which consolidates URCADF as of and for the years ended September 30, 2013 and 2012:

	2013		
	URCAD without URCADF	As currently reported, URCADF consolidated	Difference
Total revenues, gains, and support	\$ 22,078,055	\$ 22,210,968	\$ 132,913
Operating income	\$ 2,610,122	\$ 2,709,935	\$ 99,813
Change in unrestricted net assets	\$ 4,457,890	\$ 4,623,784	\$ 165,894
Change in temporarily restricted net assets	\$ 12,680	\$ 10,080	\$ (2,600)
	2012		
	URCAD without URCADF	As currently reported, URCADF consolidated	Difference
Total revenues, gains, and support	\$ 19,958,881	\$ 20,009,368	\$ 50,487
Operating income	\$ 1,228,323	\$ 1,261,847	\$ 33,524
Change in unrestricted net assets	\$ 1,016,113	\$ 1,152,585	\$ 136,472
Change in temporarily restricted net assets	\$ (9,353)	\$ (9,753)	\$ (400)

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – INVESTMENT INCOME

Income from investments, assets restricted under bond indenture agreement, and cash and cash equivalents for the years ended September 30, consisted of the following:

	<u>2013</u>	<u>2012</u>
Net realized gain (loss) on investments	\$ 138,090	\$ (55,164)
Dividends and interest	359,124	291,482
	<u>\$ 497,214</u>	<u>\$ 236,318</u>

Investment income is reported net of investment expenses of \$45,915 and \$38,327 for the years ended September 30, 2013 and 2012, respectively.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable, net consisted of the following at September 30:

	<u>2013</u>	<u>2012</u>
Medicare	\$ 335,393	\$ 137,026
HMO/Commercial	113,679	79,903
Secondary insurance	91,603	70,054
Resident monthly fees	90,787	88,902
Entrance fees receivable	50,400	-
	<u>681,862</u>	<u>375,885</u>
Less allowance for doubtful accounts	<u>(11,335)</u>	<u>(7,399)</u>
	<u>\$ 670,527</u>	<u>\$ 368,486</u>

Accounts receivable, gross by payor mix, consisted of the following at September 30:

	<u>2013</u>	<u>2012</u>
Self pay	34%	42%
Medicare	49%	37%
HMO/Commercial	17%	21%

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following at September 30:

	<u>2013</u>	<u>2012</u>
Building	\$ 69,448,103	\$ 68,811,342
Furniture and equipment	4,300,417	4,078,527
Land and improvements	3,182,098	3,178,888
Automotive	330,449	325,549
	<u>77,261,067</u>	<u>76,394,306</u>
Less accumulated depreciation	<u>(26,698,924)</u>	<u>(24,595,911)</u>
	50,562,143	51,798,395
Construction in progress	67,865	242,548
	<u>\$ 50,630,008</u>	<u>\$ 52,040,943</u>

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – LONG-TERM DEBT

Long-term debt at September 30, consisted of the following:

	2013	2012
Series 2008 Bonds	\$ -	\$ 6,020,000
Series 2010 Bonds	-	28,355,000
Series 2013 Bonds	33,708,000	-
	33,708,000	34,375,000
Current portion	(880,000)	(970,000)
	\$ 32,828,000	\$ 33,405,000

Series 2008 variable rate demand revenue bonds – On April 7, 2008, the California Statewide Communities Development Authority (the “Authority”), issued \$15,000,000 Series 2008 Variable Rate Demand Revenue Bonds (“Series 2008”). The bonds were issued under and secured by an Indenture between the Authority and the Bond Trustee (U.S. Bank National Association). On April 7, 2008, the Corporation entered into a loan agreement with the Authority and a letter of credit and reimbursement agreement with Bank of America. The Series 2008 bonds initially bear interest at a daily variable rate mode, subject to rate mode changes in the future, and mature based on the rate mode in effect on November 15, 2038. At September 30, 2013 and 2012, the interest rate payable to bond holders was 0.00% and 0.25%, respectively. The proceeds of the Series 2008 bonds were used to finance the construction of an expansion project.

As further security for the Series 2008 bonds, payments of principal and interest on, and the purchase price of, the Series 2008 bonds were initially supported by an irrevocable direct pay letter of credit issued in favor of the Bond Trustee by Bank of America. At September 30, 2012, the fee associated to the letter of credit was 2.0%.

On April 3, 2013, the Corporation entered into the Sixth Amendment to the Credit and Reimbursement Agreement (the “Sixth Amendment”) associated with the Series 2008 Bonds. Among other provisions, the Sixth Amendment extended the Stated Expiration Date of the Irrevocable Direct Pay Letter of Credit related to the Series 2008 bonds to September 15, 2014.

The Series 2008 bonds were paid off with the issuance of the Series 2013 Bonds on August 29, 2013.

Series 2010 variable rate demand revenue refunding bonds – On September 15, 2010, the Authority issued \$30,000,000 Series 2010 Variable Rate Demand Revenue Bonds (Series 2010). The bonds were issued under and secured by an Indenture between the Authority and the Bond Trustee (U.S. Bank National Association). On September 15, 2010, the Corporation entered into a loan agreement with the Authority and a Credit Agreement with Bank of America (the initial holder of the bonds). The Series 2010 bonds, initially bore interest at 65% of the one-month LIBOR plus an applicable margin as defined in the Credit Agreement, are subject to three-year call provisions beginning September 15, 2013, and matured based on the rate mode in effect on December 1, 2030. The interest rate payable to bond holders at September 30, 2013 and 2012 was approximately 0.00% and 1.90%, respectively. The proceeds from the Series 2010 bonds were used to pay off the Series 2003 bonds.

The bond agreements also contained provisions regarding the maintenance of certain covenants. Management believes that the Corporation was in compliance with all provisions as of September 30, 2012. The Corporation was also required to prepare comparative audited financial statements within 120 days of year end, which they were not in compliance with as of and for the year ended September 30, 2012. The Corporation obtained waiver dated March 27, 2013, from Bank of America.

On April 3, 2013, the Corporation entered into the Second Amendment to the Credit Agreement (the “Second Amendment”) associated with the Series 2010 Bonds. Among other provisions, the Second Amendment extended the next Call Date to September 15, 2016.

The Series 2010 bonds were paid off with the issuance of the Series 2013 bonds on August 29, 2013.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Series 2013 variable rate demand revenue refunding bonds – On August 29, 2013, the Authority issued \$33,708,000 Series 2013 Variable Rate Demand Revenue Bonds (Series 2013). The bonds were issued under and secured by an Indenture between the Authority and the Bond Trustee (U.S. Bank National Association). On August 29, 2013, the Corporation entered into a loan agreement with the Authority and a Continuing Covenant Agreement with Bank of America (the initial holder of the bonds). The Series 2013 bonds, initially bore interest at 67% of the one-month LIBOR plus an applicable margin as defined in the Bond Indenture, are subject to ten-year call provisions beginning August 29, 2023, and matured based on the rate mode in effect on November 1, 2033. The interest rate payable to bond holders at September 30, 2013, was approximately 1.39%. The proceeds from the Series 2013 bonds were used to pay off the Series 2008 and Series 2010 bonds.

The bond agreements also contained provisions regarding the maintenance of certain covenants. Management believes that the Corporation was in compliance with all provisions as of September 30, 2013.

As previously noted the Corporation retired its Series 2008 and 2010 bonds, and issued Series 2013 bonds in fiscal year 2013. The goal of these efforts is to reduce its long-term debt exposure.

Aggregate maturities of long-term debt are as follows:

2014	\$	880,000
2015		1,099,000
2016		1,148,000
2017		1,208,000
2018		1,253,000
Thereafter		<u>28,120,000</u>
	\$	<u>33,708,000</u>

NOTE 8 – INTEREST RATE SWAP AGREEMENT

On November 1, 2005, the Corporation entered into a contract for a fixed pay interest rate swap for a variable rate (the original transaction) with the Counterparty. This interest rate swap has a trade date of September 7, 2005, an effective date of November 1, 2005, and a termination date of November 15, 2030. It was entered into for the benefit of the Corporation to manage interest rate risk on its variable rate bonds; however, it is not being accounted for as an effective hedge.

Under this interest rate swap agreement, which had a \$45,085,000 original notional amount, the Corporation agrees with other parties to pay, at specified intervals, the fixed-rate of 3.2%, while receiving the variable-rate interest of 67% of the 3-month LIBOR (67% of LIBOR was approximately 0.17% and 0.28% at September 30, 2013 and 2012, respectively) according to the outstanding notional principal amount. The outstanding notional principal amount decreases ratably with scheduled annual principal payments. The outstanding notional amount under the interest rate swap agreement was \$35,940,000 and \$37,225,000 at September 30, 2013 and 2012, respectively. This interest rate swap agreement will help the Corporation manage its interest rate risk on its variable rate debt.

On September 15, 2010, the Corporation amended and restated the terms and conditions of the original transaction in order to release the financial guaranty insurance policy.

NOTE 9 – THIRD-PARTY RATE ADJUSTMENTS AND REVENUE

At September 30, 2013 and 2012, approximately 52% and 35%, respectively, of health center revenue was derived under federal third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustments by the respective third-party fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position, changes in net assets, or cash flows of the Corporation.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – RELATED-PARTY TRANSACTIONS

PRS provides various general, administrative, and marketing services to the Corporation. The total fee and reimbursements for off-site allocated costs, included in the statements of activities and changes in net assets was \$1,605,241 and \$1,311,986, respectively, for the years ended September 30, 2013 and 2012. At September 30, 2013 and 2012, the amounts due to affiliates were \$188,067 and \$153,754, respectively.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that maybe used to measure fair value:

Level 1 –Quoted prices in active markets for identical assets or liabilities.

Level 2 –Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net assets value per share (or its equivalent) with the ability to redeem the investment in the near term.

Level 3 –Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the statements of financial position at September 30, 2013 and 2012, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Short term investments – Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents held for investment, exchange traded equities and mutual funds, debt securities and fixed income securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with identical characteristics, discounted cash flows, or net asset values. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest rate swap agreement – The interest rate swap agreement fair value is based upon current settlement values, quoted market prices of comparable instruments, or, if there are no relevant comparables, on pricing models or formulas using current assumptions.

Long-term debt – The fair value of long-term debt were estimated using discounted cash flows analyses based on current incremental borrowing rates for similar debt instruments (Level 3). At September 30, 2013 and 2012, the fair value of long term debt approximates its carrying value.

Assets restricted under bond indenture agreement and other assets – Assets restricted under bond indenture agreement consist of cash and cash equivalents, classified within Level 1 of the valuation hierarchy. Other assets consist of cash set aside for collateral posting requirement, classified within Level 1 of the valuation hierarchy.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis:

	September 30, 2013			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents	\$ 3,493,847	\$ -	\$ -	\$ 3,493,847
Domestic equity				
Mid-cap	423,535	-	-	423,535
Large-cap	3,404,665	-	-	3,404,665
Fixed income				
Asset backed securities	1,465,319	-	-	1,465,319
Corporate bonds and notes	3,533,443	-	-	3,533,443
U.S. government securities	3,462,050	-	-	3,462,050
Mutual funds				
Equities	3,657,828	-	-	3,657,828
Fixed income	3,067,337	-	-	3,067,337
Other	5,684,524	-	-	5,684,524
Total assets	\$ 28,192,548	\$ -	\$ -	\$ 28,192,548
Liabilities:				
Interest rate swap agreement	\$ -	\$ 3,982,489	\$ -	\$ 3,982,489

	September 30, 2012			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash and cash equivalents	\$ 4,873,635	\$ -	\$ -	\$ 4,873,635
Domestic equity				
Mid-cap	160,452	-	-	160,452
Large-cap	1,587,023	-	-	1,587,023
Fixed income				
Asset backed securities	865,022	-	-	865,022
Corporate bonds and notes	2,885,364	-	-	2,885,364
U.S. government securities	3,011,319	-	-	3,011,319
Mutual funds				
Equities	1,023,033	-	-	1,023,033
Fixed income	2,647,377	-	-	2,647,377
Other	496,501	-	-	496,501
Total assets	\$ 17,549,726	\$ -	\$ -	\$ 17,549,726
Liabilities:				
Interest rate swap agreement	\$ -	\$ 6,452,724	\$ -	\$ 6,452,724

Short-term investments consisted of the following at fair value at September 30:

	2013	2012
Cash and cash equivalents		
including amounts held for investment purposes	\$ 3,493,847	\$ 4,873,635
Equity, fixed income, mutual funds investments	24,698,701	12,676,091
Total	28,192,548	17,549,726
Less asset held by bond indenture	(3,886)	(2,222,319)
Less cash held for swap collateral	-	(2,200,000)
Total short-term investments	\$ 28,188,662	\$ 13,127,407

**UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 12 – RETIREMENT PLANS

The Corporation has a defined contribution plan (the "Plan") covering all eligible employees. Employees who have reached the age of 21 and have completed one year of service of at least 1,000 hours are eligible for participation in both the Plan and the 403(b) Plan. The Corporation's contributions to the Plan are equal to 3% of eligible participants' compensation. The Corporation also participates in a company sponsored 403(b) plan (the 403(b) Plan) covering all eligible employees. The Corporation's contributions to the 403(b) Plan are a match of the employee contributions, up to a maximum of 4% of each employee's eligible compensation. Total contributions charged to expense for the plans was \$263,451 and \$260,679 for the years ended September 30, 2013 and 2012, respectively.

Prior to October 1, 2012, the Corporation was a participating employer in the Pacific Retirement Services, Inc. 403(b) Plan. On October 1, 2012, the Corporation executed a 403(b) plan adoption agreement for their own plan named University Retirement Community at Davis, Inc. 403(b) Plan. No changes were made to eligibility criteria or contribution amounts.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Corporation is party to various claims and legal actions in the normal course of business. In the opinion of management, the Corporation has substantial meritorious defenses to pending or threatened litigation and, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position of the Corporation.

In March 2010, Health Care Reform Legislation was signed into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32,000,000 uninsured, legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs. The Corporation is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementation regulations or interpretive guidance. However, the Corporation expects that the provisions of the Health Care Reform Legislation may have a material effect on its business.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are available to be issued. The Corporation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Corporation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are issued.

The Corporation evaluated all events or transactions that occurred after September 30, 2013, up through January 23, 2014, the date the consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

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UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
September 30, 2013

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,510,024	\$ 43,158	\$ -	\$ 2,553,182
Short-term investments	27,150,466	1,038,196	-	28,188,662
Accounts receivable, net	670,527	-	-	670,527
Supplies and prepaid expenses	322,380	-	-	322,380
Total current assets	30,653,397	1,081,354	-	31,734,751
PROPERTY AND EQUIPMENT, NET	50,630,008	-	-	50,630,008
OTHER ASSETS				
Assets restricted under bond indenture agreements	3,886	-	-	3,886
Bond issue and other financing costs, net	504,760	-	-	504,760
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	20,725	-	(20,725)	-
Gift annuities	-	11,802	-	11,802
Total other assets	529,371	11,802	(20,725)	520,448
	<u>\$ 81,812,776</u>	<u>\$ 1,093,156</u>	<u>\$ (20,725)</u>	<u>\$ 82,885,207</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 1,708,719	\$ 1,214	\$ -	\$ 1,709,933
Refundable deposits	159,750	-	-	159,750
Current portion of long-term debt	880,000	-	-	880,000
Due to affiliates, net	174,225	13,842	-	188,067
Other current liabilities	53,087	200	-	53,287
Total current liabilities	2,975,781	15,256	-	2,991,037
OTHER LIABILITIES				
Long-term debt, net of current portion	32,828,000	-	-	32,828,000
Interest rate swap agreement	3,982,489	-	-	3,982,489
Deferred revenue from entrance fees	33,443,264	-	-	33,443,264
Total liabilities	73,229,534	15,256	-	73,244,790
NET ASSETS				
Unrestricted	8,547,242	1,055,000	-	9,602,242
Temporarily restricted	36,000	22,900	(20,725)	38,175
Total net assets	8,583,242	1,077,900	(20,725)	9,640,417
	<u>\$ 81,812,776</u>	<u>\$ 1,093,156</u>	<u>\$ (20,725)</u>	<u>\$ 82,885,207</u>

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
September 30, 2012

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,746,928	\$ 41,239	\$ -	\$ 3,788,167
Short-term investments	12,260,915	866,492	-	13,127,407
Accounts receivable, net	368,486	-	-	368,486
Supplies and prepaid expenses	260,809	-	-	260,809
Total current assets	16,637,138	907,731	-	17,544,869
PROPERTY AND EQUIPMENT, NET	52,040,943	-	-	52,040,943
OTHER ASSETS				
Assets restricted under bond indenture agreements	2,222,319	-	-	2,222,319
Bond issue and other financing costs, net	996,693	-	-	996,693
Other assets	2,200,000	-	-	2,200,000
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	23,320	-	(23,320)	-
Gift annuities	-	11,802	-	11,802
Total other assets	5,442,332	11,802	(23,320)	5,430,814
	<u>\$ 74,120,413</u>	<u>\$ 919,533</u>	<u>\$ (23,320)</u>	<u>\$ 75,016,626</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 1,391,235	\$ 798	\$ -	\$ 1,392,033
Refundable deposits	226,000	-	-	226,000
Current portion of long-term debt	970,000	-	-	970,000
Due to affiliates, net	152,220	1,534	-	153,754
Other current liabilities	1,109	-	-	1,109
Total current liabilities	2,740,564	2,332	-	2,742,896
OTHER LIABILITIES				
Long-term debt, net of current portion	33,405,000	-	-	33,405,000
Interest rate swap agreement	6,452,724	-	-	6,452,724
Deferred revenue from entrance fees	27,409,453	-	-	27,409,453
Total liabilities	70,007,741	2,332	-	70,010,073
NET ASSETS				
Unrestricted	4,089,352	889,106	-	4,978,458
Temporarily restricted	23,320	28,095	(23,320)	28,095
Total net assets	4,112,672	917,201	(23,320)	5,006,553
	<u>\$ 74,120,413</u>	<u>\$ 919,533</u>	<u>\$ (23,320)</u>	<u>\$ 75,016,626</u>

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For year ended September 30, 2013

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS				
REVENUES				
Service fees	\$ 12,025,212	\$ -	\$ -	\$ 12,025,212
Health center revenue	4,209,298	-	-	4,209,298
Entrance fees earned	4,624,189	-	-	4,624,189
Investment income	451,537	45,677	-	497,214
Contributions	59,731	137,710	(59,731)	137,710
Other revenue	708,088	-	-	708,088
Total revenues	22,078,055	183,387	(59,731)	22,201,711
Net assets released from restrictions	-	9,257	-	9,257
Total revenue, gains, and support	22,078,055	192,644	(59,731)	22,210,968
EXPENSES				
Program expenses:				
Dietary	2,853,652	-	-	2,853,652
Facility services and utilities	3,392,234	-	-	3,392,234
Health and social services	3,936,499	-	-	3,936,499
Memory care	269,041	-	-	269,041
Assisted Living	660,463	-	-	660,463
General and administrative expenses:				
Administrative and marketing	1,915,487	1,941	-	1,917,428
Interest expense and financing fees	762,630	-	-	762,630
Net settlement associated with interest rate swap agreement	1,089,970	-	-	1,089,970
Depreciation	2,810,754	-	-	2,810,754
Fees to affiliates	1,605,241	-	-	1,605,241
Net loss on disposal of property and equipment	171,962	-	-	171,962
Foundation program support	-	90,890	(59,731)	31,159
Total expenses	19,467,933	92,831	(59,731)	19,501,033
OPERATING INCOME	2,610,122	99,813	-	2,709,935
NONOPERATING (LOSS) INCOME				
Loss on extinguishment of debt	(951,637)	-	-	(951,637)
Unrealized change in value of investments	329,170	66,081	-	395,251
Change in value of interest rate swap agreement	2,470,235	-	-	2,470,235
Total nonoperating income	1,847,768	66,081	-	1,913,849
CHANGE IN UNRESTRICTED NET ASSETS	4,457,890	165,894	-	4,623,784
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
Contributions	15,275	4,062	-	19,337
Net assets released from restrictions	-	(9,257)	-	(9,257)
Change in beneficial interest in net assets of University Retirement at Davis Foundation, Inc.	(2,595)	-	2,595	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	12,680	(5,195)	2,595	10,080
CHANGE IN NET ASSETS	4,470,570	160,699	2,595	4,633,864
NET ASSETS, beginning of year	4,112,672	917,201	(23,320)	5,006,553
NET ASSETS, end of year	<u>\$ 8,583,242</u>	<u>\$ 1,077,900</u>	<u>\$ (20,725)</u>	<u>\$ 9,640,417</u>

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For year ended September 30, 2012

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS				
REVENUES				
Service fees	\$ 11,401,478	\$ -	\$ -	\$ 11,401,478
Health center revenue	3,768,110	-	-	3,768,110
Entrance fees earned	3,698,291	-	-	3,698,291
Investment income	233,343	2,975	-	236,318
Contributions	44,856	88,105	(44,856)	88,105
Other revenue	812,803	-	-	812,803
Total revenues	19,958,881	91,080	(44,856)	20,005,105
Net assets released from restrictions	-	4,263	-	4,263
Total revenue, gains, and support	19,958,881	95,343	(44,856)	20,009,368
EXPENSES				
Program expenses:				
Dietary	2,805,056	-	-	2,805,056
Facility services and utilities	3,227,990	-	-	3,227,990
Health and social services	3,957,110	-	-	3,957,110
Memory care	9,358	-	-	9,358
Assisted Living	774,229	-	-	774,229
General and administrative expenses:				
Administrative and marketing	1,746,995	5,843	-	1,752,838
Interest expense and financing fees	815,395	-	-	815,395
Net settlement associated with interest rate swap agreement	1,083,352	-	-	1,083,352
Depreciation	2,762,082	-	-	2,762,082
Fees to affiliates	1,311,986	-	-	1,311,986
Net loss on disposal of property and equipment	237,005	-	-	237,005
Foundation program support	-	55,976	(44,856)	11,120
Total expenses	18,730,558	61,819	(44,856)	18,747,521
OPERATING INCOME	1,228,323	33,524	-	1,261,847
NONOPERATING (LOSS) INCOME				
Unrealized change in value of investments	511,125	102,948	-	614,073
Change in value of interest rate swap agreement	(723,335)	-	-	(723,335)
Total nonoperating (loss) income	(212,210)	102,948	-	(109,262)
CHANGE IN UNRESTRICTED NET ASSETS	1,016,113	136,472	-	1,152,585
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS				
Contributions	-	4,700	-	4,700
Actuarial loss on gift annuities receivable	-	(10,190)	-	(10,190)
Net assets released from restrictions	-	(4,263)	-	(4,263)
Change in beneficial interest in net assets of University Retirement at Davis Foundation, Inc.	(9,353)	-	9,353	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(9,353)	(9,753)	9,353	(9,753)
CHANGE IN NET ASSETS	1,006,760	126,719	9,353	1,142,832
NET ASSETS, beginning of year	3,105,912	790,482	(32,673)	3,863,721
NET ASSETS, end of year	\$ 4,112,672	\$ 917,201	\$ (23,320)	\$ 5,006,553

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATING STATEMENTS OF CASH FLOWS
For year ended September 30, 2013

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 4,470,570	\$ 160,699	\$ 2,595	\$ 4,633,864
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	2,810,754	-	-	2,810,754
Amortization included in financing fees	48,678	-	-	48,678
Loss on extinguishment of debt	951,637	-	-	951,637
Change in value of interest rate swap agreement	(2,470,235)	-	-	(2,470,235)
Entrance fees received from new residents	10,882,100	-	-	10,882,100
Entrance fees earned	(4,624,189)	-	-	(4,624,189)
Entrance fees refunded	(274,500)	-	-	(274,500)
Unrealized change in value of investments	(329,170)	(66,081)	-	(395,251)
Realized gain and reinvested income on investments	(451,537)	(45,677)	-	(497,214)
Net loss on disposal of property and equipment	171,962	-	-	171,962
Net changes in:				
Accounts receivable, net	(251,641)	-	-	(251,641)
Supplies and prepaid expenses	(61,571)	-	-	(61,571)
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	2,595	-	(2,595)	-
Accounts payable and accrued expenses	274,301	616	-	274,917
Refundable deposits	(66,250)	-	-	(66,250)
Due to affiliates, net	22,005	12,308	-	34,313
Net cash provided by operating activities	<u>11,105,509</u>	<u>61,865</u>	<u>-</u>	<u>11,167,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(1,476,620)	-	-	(1,476,620)
Purchase of investments	(14,108,844)	(59,946)	-	(14,168,790)
Change in collateral posted related to interest rate swap agreement	2,200,000	-	-	2,200,000
Change in assets restricted under bond indenture agreement, net of realized gains	2,218,433	-	-	2,218,433
Net cash used in investing activities	<u>(11,167,031)</u>	<u>(59,946)</u>	<u>-</u>	<u>(11,226,977)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Bond issue costs paid	(508,382)	-	-	(508,382)
Proceeds from issuance of long-term debt	33,708,000	-	-	33,708,000
Repayment of long-term debt	(34,375,000)	-	-	(34,375,000)
Net cash used in financing activities	<u>(1,175,382)</u>	<u>-</u>	<u>-</u>	<u>(1,175,382)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(1,236,904)</u>	<u>1,919</u>	<u>-</u>	<u>(1,234,985)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,746,928</u>	<u>41,239</u>	<u>-</u>	<u>3,788,167</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,510,024</u>	<u>\$ 43,158</u>	<u>\$ -</u>	<u>\$ 2,553,182</u>

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
CONSOLIDATING STATEMENTS OF CASH FLOWS
For year ended September 30, 2012

	University Retirement Community at Davis, Inc.	University Retirement Community at Davis Foundation, Inc.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 1,006,760	\$ 126,719	\$ 9,353	\$ 1,142,832
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	2,762,082	-	-	2,762,082
Amortization included in financing fees	49,154	-	-	49,154
Change in value of interest rate swap agreement	723,335	-	-	723,335
Entrance fees received from new residents	5,683,450	-	-	5,683,450
Entrance fees earned	(3,698,291)	-	-	(3,698,291)
Entrance fees refunded	(152,340)	-	-	(152,340)
Unrealized change in value of investments	(511,125)	(102,948)	-	(614,073)
Realized gain and reinvested income on investments	(233,343)	(2,975)	-	(236,318)
Actuarial loss on gift annuities receivable	-	10,190	-	10,190
Net loss on disposal of property and equipment	237,005	-	-	237,005
Net changes in:				
Accounts receivable, net	(3,234)	-	-	(3,234)
Supplies and prepaid expenses	(26,803)	-	-	(26,803)
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	9,353	-	(9,353)	-
Accounts payable and accrued expenses	(1,682,780)	(22)	-	(1,682,802)
Refundable deposits	(223,150)	-	-	(223,150)
Due to affiliates, net	(31,803)	1,265	-	(30,538)
Net cash provided by operating activities	<u>3,908,270</u>	<u>32,229</u>	<u>-</u>	<u>3,940,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(1,734,884)	-	-	(1,734,884)
Purchase of investments	(1,497,080)	(59,943)	-	(1,557,023)
Proceeds from sale of investments	3,200,000	-	-	3,200,000
Collateral posted related to interest rate swap agreement	(1,090,000)	-	-	(1,090,000)
Change in assets restricted under bond indenture agreement, net of realized gains	1,481,887	-	-	1,481,887
Net cash provided by (used in) investing activities	<u>359,923</u>	<u>(59,943)</u>	<u>-</u>	<u>299,980</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of long-term debt	(4,290,000)	-	-	(4,290,000)
Net cash used in financing activities	<u>(4,290,000)</u>	<u>-</u>	<u>-</u>	<u>(4,290,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,807)	(27,714)	-	(49,521)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,768,735</u>	<u>68,953</u>	<u>-</u>	<u>3,837,688</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,746,928</u>	<u>\$ 41,239</u>	<u>\$ -</u>	<u>\$ 3,788,167</u>

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
STATEMENTS OF CASH FLOWS – DIRECT METHOD (URCAD ONLY)
For years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from service fees	\$ 12,089,919	\$ 11,457,974
Receipts from health center	3,945,275	3,750,605
Net receipts from entrance fees	10,607,600	5,531,110
Interest paid	(1,850,076)	(1,855,944)
Receipts from other operating activities	769,687	817,405
Cash expended for operating activities	<u>(14,456,896)</u>	<u>(15,792,880)</u>
Net cash provided by operating activities	<u>11,105,509</u>	<u>3,908,270</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,476,620)	(1,734,884)
Purchase of investments	(14,108,844)	(1,497,080)
Proceeds from sale of investments	-	3,200,000
Change in collateral posted related to interest rate swap agreement	2,200,000	(1,090,000)
Change in assets restricted under bond indenture agreement, net of realized gains	<u>2,218,433</u>	<u>1,481,887</u>
Net cash (used in) provided by investing activities	<u>(11,167,031)</u>	<u>359,923</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond issue costs paid	(508,382)	-
Proceeds from issuance of long-term debt	33,708,000	-
Repayment of long-term debt	<u>(34,375,000)</u>	<u>(4,290,000)</u>
Net cash used in financing activities	<u>(1,175,382)</u>	<u>(4,290,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,236,904)</u>	<u>(21,807)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,746,928</u>	<u>3,768,735</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,510,024</u>	<u>\$ 3,746,928</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 4,470,570	\$ 1,006,760
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	2,810,754	2,762,082
Amortization included in financing fees	48,678	49,154
Loss on extinguishment of debt	951,637	-
Change in value of interest rate swap agreement	(2,470,235)	723,335
Entrance fees received from new residents	10,882,100	5,683,450
Entrance fees earned	(4,624,189)	(3,698,291)
Entrance fees refunded	(274,500)	(152,340)
Unrealized change in value of investments	(329,170)	(511,125)
Realized gain and reinvested income on investments	(451,537)	(233,343)
Net loss on disposal of property and equipment	171,962	237,005
Net changes in:		
Accounts receivable, net	(251,641)	(3,234)
Supplies and prepaid expenses	(61,571)	(26,803)
Beneficial interest in net assets of University Retirement Community at Davis Foundation, Inc.	2,595	9,353
Accounts payable and accrued expenses	274,301	(1,682,780)
Refundable deposits	(66,250)	(223,150)
Due to affiliates, net	<u>22,005</u>	<u>(31,803)</u>
Net cash provided by operating activities	<u>\$ 11,105,509</u>	<u>\$ 3,908,270</u>

R E C E I V E D

FEB 03 2014

**CONTINUING CARE
CONTRACTS BRANCH**

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

**University Retirement Community at
Davis, Inc.**

As of and for the year ended September 30, 2013

MOSS ADAMS LLP

1115 California Street, Suite 2000, San Francisco, CA 94109

Accountants and Attorneys

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
University Retirement Community at Davis, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of University Retirement Community at Davis, Inc. ("URCAD"), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5, as of and for the year ended September 30, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserves of University Retirement Community at Davis, Inc. as of and for the year ended September 30, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by URCAD on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The accompanying supplementary schedules of Part of Form 5-5, Description of Reserves and Additional Disclosures (Section 1790), Schedule of interest, credit enhancements (LOC fees and other fees), Reconciliation to Audit Report, Part of Form 5-4, Non CCRC Revenue Reconciliation, presented as supplementary schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements, taken as a whole.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of URCAD and for filing with the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.



San Francisco, California
January 28, 2014

CONTINUING CARE LIQUID RESERVE SCHEDULES

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
FORM 5-1
LONG-TERM DEBT INCURRED IN PRIOR FISCAL YEAR

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	04/07/08	\$95,000	\$9,726	\$92,915	\$197,641
2	09/15/10	\$800,000	\$1,547,390	\$0	\$2,347,390
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
	TOTAL:	\$895,000	\$1,557,116	\$92,915	\$2,545,031

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

NOTE 2: During fiscal year 2013, in connection with the issuance of Series 2013 debt, Series 2008 was refunded in the amount of \$5,925,000 and Series 2010 was refunded in the amount of \$27,555,000.

Principal paid per column (b)	\$	895,000
Series 2008 refunded		5,925,000
Series 2010 refunded		27,555,000
Repayment of long term debt per cash flow	\$	<u>34,375,000</u>

PROVIDER: University Retirement Community at Davis, Inc.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
FORM 5-2
LONG-TERM DEBT INCURRED DURING FISCAL YEAR

FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1	08/29/13	\$43,024	\$88,000	12	\$1,056,000
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:					
		\$43,024	\$88,000	12	\$1,056,000

(Transfer this amount to Form 5-3, Line 2)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: University Retirement Community at Davis, Inc.

**UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT**

**FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT**

Line	TOTAL
1	\$2,545,031
2	\$1,056,000
3	\$0
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE: \$3,601,031

PROVIDER: University Retirement Community at Davis, Inc.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$19,467,933
2	Deductions:	
	a. Interest paid on long-term debt	\$1,600,140
	b. Credit enhancement premiums paid for long-term debt	\$92,915
	c. Depreciation	\$2,810,754
	d. Amortization	\$48,678
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$3,559,937
	f. Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$8,112,424
4	Net Operating Expenses	\$11,355,509
5	Divide Line 4 by 365 and enter the result.	\$31,111
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$2,333,325

PROVIDER:
COMMUNITY:

University Retirement Community at Davis, Inc.; Pacific Retirement Services, Inc.
 University Retirement Community at Davis, Inc.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
FORM 5-5
ANNUAL RESERVE CERTIFICATION

FORM 5-5

Provider Name: University Retirement Community at Davis, Inc.
 Fiscal Year Ended: 30 Sep-13

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 9/30/2013 and are in compliance with these requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows:

	Amount
(1) Debt Service Reserve Amount	\$3,601,031
(2) Operating Expense Reserve Amount	\$2,333,325
(3) Total Liquid Reserve Amount:	\$5,934,356

Qualifying assets sufficient to fulfill the above requirements are held as follows:

Qualifying Asset Description	Amount	
	Debt Service Reserve	Operating Reserve
(4) Cash and Cash Equivalents	\$0	\$5,996,439
(5) Investment Securities	\$0	\$0
(6) Equity Securities	\$0	\$3,460,205
(7) Unused/Available Lines of Credit	\$0	\$0
(8) Unused/Available Letters of Credit	\$0	\$0
(9) Debt Service Reserve	\$0	(not applicable)
(10) Other:		
Fixed income securities	\$3,537,145	\$4,863,607
Large/mid/small cap growth/value		\$11,749,024
Deposit account (describe qualifying asset)	\$4,800	
Total Amount of Qualifying Assets	\$3,601,031 (13)	\$26,063,345
Reserve Obligation Amount: (13)	\$3,601,031 (14)	\$2,333,325
Surplus/(Deficiency): (15)	\$0 (16)	\$23,770,020

Signature:

Sheri Loya
 (Authorized Representative)

Date: January 28, 2014

Corporate Controller
 (Title)

SUPPLEMENTARY SCHEDULES

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
PART OF FORM 5-5
DESCRIPTION OF RESERVES AND ADDITIONAL DISCLOSURES (SECTION 1790)
SEPTEMBER 30, 2013

	<u>URCAD</u>
Commercial paper sweep	\$ 2,508,862
Cash	1,162
Per audited financials:	<u>\$ 2,510,024</u>

	<u>URCAD</u>	<u>URCADE</u>	<u>Total</u>	
Cash and cash equivalent	\$ 3,480,415	\$ 9,546	\$ 3,489,961	[4]
Fixed income	8,460,812	-	8,460,812	[2], [A]
Mutual funds	11,749,034	660,655	12,409,689	[1]
Equity	3,460,205	367,995	3,828,200	[3]
	<u>\$ 27,150,466</u>	<u>\$ 1,038,196</u>	<u>\$ 28,188,662</u>	

[1] Per audited financials:	
Mutual funds - equities	\$ 3,657,828
Mutual funds - fixed income	3,067,337
Mutual funds - other	5,684,524
	<u>\$ 12,409,689</u>

[2] Per audited financials:	
Fixed income - asset backed securities	\$ 1,465,319
Fixed income - corporate bonds and notes	3,533,443
Fixed income - U.S. government securities	3,462,050
	<u>\$ 8,460,812</u>

[3] Per audited financials:	
Domestic equity - mid cap	\$ 423,535
Domestic equity - large cap	3,404,665
	<u>\$ 3,828,200</u>

[4] Per audited financials:	
Cash and cash equivalents including amounts held for investment purposes	\$ 3,493,847
Less cash held by bond indenture	(3,886)
	<u>\$ 3,489,961</u>

[A] Fixed income securities per Form 5-5:	
Debt service reserve	\$ 3,597,145
Operating reserve	4,863,667
	<u>\$ 8,460,812</u>

Per the September 2013 audit, the URCAD Reserves listed above are liquid and available for use as needed. There are no restrictions on the funds listed above. However, if necessary, excess funds from the above investments will be used to cover any deficiency that may exist in the debt service reserve calculation on Form 5-5.

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
PART OF FORM 5-5
DESCRIPTION OF RESERVES AND ADDITIONAL DISCLOSURES (SECTION 1790) (CONTINUED)
SEPTEMBER 30, 2013

Per the 2013 Audited Statement the following funds are restricted under the bond indenture agreement:

Fidelity Governmental Fund	\$	86	Debt Service Reserve Fund - Series 2010	
Fidelity Governmental Fund		-	Debt Service Fund - Series 2008	
Fidelity Governmental Fund		1	Debt Service Fund - Series 2010	[B]
Fidelity Governmental Fund		<u>3,799</u>	Bond other fund	[B]
Asset held by bond indenture per audited financials	\$	<u>3,886</u>		

[B] Deposit account per Form 5-5:

Debt service reserve	\$	1	
Operating reserve		<u>3,799</u>	
Debt service reserve	\$	<u>3,800</u>	

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
SCHEDULE OF INTEREST, CREDIT ENHANCEMENTS (LOC FEES AND OTHER FEES),
RECONCILIATION TO AUDIT REPORT
SEPTEMBER 30, 2013

University Retirement Community at Davis
 FYE 2013 Schedule of Interest, Credit Enhancements (LOC Fees), and Other Fees
 Reconciliation to Audit Report
 September 30, 2013

Expenses included in audit

Interest - Series 2008	\$	9,726	
Interest - Series 2010		457,420	[1]
Interest - Series 2013		43,024	
Total interest paid		<u>510,170</u>	
LOC Fees Series 2008		<u>92,915</u>	
Credit enhancement payments		92,915	Form 5-4, (2b) & Form 5-1, column (d)
Other Fees (authority/remarketing/trustee fees)		110,867	
Issue Cost Amortization		<u>48,678</u>	Form 5-4, (2d)
Total Other Fees		<u>159,545</u>	
Total Interest expense and fees per audited financials	\$	<u>762,630</u>	
Net Settlement on Interest per audited financials	\$	1,089,970	[1]
PLUS: Total interest paid (see above)		<u>510,170</u>	
Total Interest paid on LTD	\$	<u>1,600,140</u>	Form 5-4, (2a) sum of Form 5-1 (c) & 5-2 (b)
Reconciliation to interest paid per cash flow			
Interest expense including swap	\$	1,600,140	Form 5-4
Credit enhancement premium		92,915	Form 5-4
Amortization		48,678	Form 5-4
Other		<u>108,343</u>	
Interest paid per audited financials	\$	<u>1,850,076</u>	cash flow from operating activities
sum of [1]	\$	1,547,390	Form 5-1, column (c)

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
PART OF FORM 5-4
NON CCRC REVENUE RECONCILIATION
SEPTEMBER 30, 2013

URC - Non CCRC Revenue
October 2012 - September 2013

LOC Type	Daily Rate	# of Days	Estimated Annual Revenue
ALD1	\$ 208.37	1,982	\$ 412,989
ALD2	\$ 48.33	365	17,640
<i>Total Assisted Living</i>			\$ 430,630
<i>Total Special Care</i>			\$ 399,751 *
HC Public			\$ 939,723 *
SND	\$ 656.31	2,284	1,499,012
<i>Total Health Services</i>			\$ 2,438,735
<u><i>Other non-operating revenue:</i></u>			
Catering			\$ 63,035
Employee Meals			15,951
Guest Rooms			29,664
Guest Meals			125,354
Lease Revenue - space rental for outside parties			56,817
			\$ 290,821 *
<i>* YTD actual revenue</i>			
		Total Non-CCRC Revenue	\$ 3,559,937
Per Audited Statement Cash Flows -			
Direct Method			
Receipts from service fees			\$ 12,089,919
Receipts from health center			3,945,275
Receipts from other operating activities			769,687
		<i>Total CCRC/Non-CCRC Revenue</i>	<i>\$ 16,804,881</i>
Less CCRC Revenue			(13,244,944)
		Total Non-CCRC Revenue	\$ 3,559,937

UNIVERSITY RETIREMENT COMMUNITY AT DAVIS, INC.
FORM 5-5
NOTES TO RESERVE REPORTS

NOTE 1 - BASIS OF ACCOUNTING

The accompanying reserve reports have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of University of Retirement Community at Davis, Inc.'s assets, liabilities, revenues, and expenses.

**CONTINUING CARE RETIREMENT COMMUNITY
DISCLOSURE STATEMENT
GENERAL INFORMATION**

RECEIVED
FEB 03 2014

FACILITY NAME: University Retirement Community at Davis (URCAD)
 ADDRESS: 1515 Shasta Drive, Davis CA ZIP CODE: 95616 PHONE: (541) 857-7644
 FACILITY OWNER: Pacific Retirement Services Inc FACILITY OPERATOR: Matt Neal **CONTINUING CARE**
 RELATED FACILITIES: See Attached RELIGIOUS AFFILIATION: _____ **CONTRACTS BRANCH**
 YEAR OPENED: 2000 NO. OF ACRES: 11.15 MULTI-STORY: _____ SINGLE STORY: _____ BOTH: X
 MILES TO SHOPPING CTR: Under 1 MILES TO HOSPITAL: Under 1

NUMBER OF UNITS:

INDEPENDENT LIVING

HEALTH CARE

APARTMENTS -STUDIO	<u>0</u>	ASSISTED LIVING	<u>36</u>
APARTMENTS -1 BDRM	<u>47</u>	SKILLED NURSING	<u>37</u>
APARTMENTS - 2 BDRM	<u>120</u>	SPECIAL CARE	<u>14</u>
APARTMENTS - 3 BDRM	<u>5</u>	DESCRIBE SPECIAL CARE:	_____
COTTAGES/HOUSES	<u>34</u>		
% OCCUPANCY AT YEAR END	<u>96.40%</u>		

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: CARF-CCAC

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (CHECK ALL THAT APPLY): 90% 75% 50% PRORATED TO 0% OTHER: Prorated up to 3 yrs

RANGE OF ENTRANCE FEES: \$ 101,000 TO \$ 477,500 LONG -TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: _____

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: _____ OTHER: _____

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

SERVICES AVAILABLE

	AVAILABLE	FEE FOR SERVICE		INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>2</u>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>(Depends on level of care)</u>	
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE		
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Computer Lab</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
On-site Banking	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
On-site Physical Therapist	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Pacific Retirement Services

CCRCs

LOCATION (City, State)

PHONE (with area code)

<u>The Cumberland Rest, Inc.</u>	<u>Fort Worth, TX</u>	<u>(800) 841-0561</u>
<u>Holladay Park Plaza, Inc.</u>	<u>Portland, OR</u>	<u>(503) 280-2454</u>
<u>Cascade Manor, Inc.</u>	<u>Eugene, OR</u>	<u>(800) 248-2398</u>
<u>Rogue Valley Manor, Inc.</u>	<u>Medford, OR</u>	<u>(541) 857-7610</u>
<u>University Retirement Community at Davis</u>	<u>Davis, CA</u>	<u>(530) 747-7005</u>
<u>Capitol Lakes, Inc.</u>	<u>Madison, WI</u>	<u>(608) 283-2028</u>
<u>Mirabella Seattle, Inc.</u>	<u>Seattle, WA</u>	<u>(206) 447-5658</u>
<u>Mirabella Portland, Inc.</u>	<u>Portland, OR</u>	<u>(503) 245-4742</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

MULTI-LEVEL RETIREMENT COMMUNITIES

<u>Middleton Glen Inc (IL only)</u>	<u>Middleton, WI</u>	<u>(608) 836-7998</u>
<u>Senior Housing of Middleton Inc (IL only)</u>	<u>Middleton, WI</u>	<u>(608) 836-7998</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

FREE-STANDING SKILLED NURSING

<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

SUBSIDIZED SENIOR HOUSING

<u>See Attached List of HUD Operations</u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

***PLEASE INDICATE IF THE FACILITY IS LIFE CARE.**

SINGLE-SITE FACILITY
FINANCIAL DISCLOSURE STATEMENT
 FACILITY NAME: University Retirement Community

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME	15,457,524	19,179,000	16,200,491	17,527,048
(excluding amortization of entrance fee income)				
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	12,256,975	13,062,428	14,009,533	14,837,679
NET INCOME FROM OPERATIONS	3,200,549	6,116,572	2,190,958	2,689,369
LESS INTEREST EXPENSE	2,608,002	2,066,749	1,898,747	1,852,600
PLUS CONTRIBUTIONS	-	-	-	59,731
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	(1,220,359)	(5,012,116)	(212,307)	896,131
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(627,812)	(962,293)	79,904	1,732,900
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	3,640,332	5,269,306	5,531,110	10,607,600

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Series 2008 Variable Rate Bonds	-	-	4/7/2008	11/15/2038	Extinguished
Series 2010 Variable Rate Bonds	-	-	9/15/2010	12/01/2030	Extinguished
Series 2013 Variable Rate Bonds (B of A)	33,708,000	1.39%	8/29/2013	11/01/2033	20 Years

FINANCIAL RATIOS (see next page for ratio formulas)

	2010	2011	2012	2013
DEBT TO ASSET RATIO	0.49	0.45	0.45	0.41
OPERATING RATIO	0.96	0.79	0.98	0.95
DEBT SERVICE COVERAGE RATIO	17.38	0.83	2.85	4.21
DAYS CASH-ON-HAND RATIO	484.07	409.85	651.84	648.65

HISTORICAL MONTHLY SERVICE FEES

AVERAGE FEE AND PERCENT CHANGE	2010	2011	2012	2013
STUDIO	\$ -	\$ -	\$ -	\$ -
ONE BEDROOM	\$ 3,256.33	\$ 2,925.00	\$ 3,028.00	\$ 3,126.00
TWO & THREE BEDROOM	\$ 3,823.29	\$ 3,970.00	\$ 4,109.00	\$ 4,242.00
COTTAGE/GARDEN APT	\$ 4,173.67	\$ 4,299.00	\$ 4,449.00	\$ 4,594.00
ASSISTED LIVING	\$ 4,704.00	\$ 4,746.00	\$ 4,997.00	\$ 5,521.00
SKILLED NURSING	\$ 5,704.00	\$ 5,810.00	\$ 6,083.00	\$ 6,995.00
SPECIAL CARE	\$ 5,297.00	\$ 5,521.00	\$ 5,764.00	\$ 6,927.00

COMMENTS FROM PROVIDER: New debt issue - 8/29/2013 - \$33,708,000 variable Rate Bonds.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ \text{--Depreciation Expense} \\ \text{--Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ \text{--Amortization of Deferred Revenue} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over} \\ \text{+Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ \text{--Amortization of Deferred Revenue} \\ \text{+ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{And Investments} \end{array}}{\begin{array}{l} \text{(Operating Expenses - Depreciation} \\ \text{-Amortization)/365} \end{array}}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	INDEPENDENT LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly Service Fees at beginning of reporting period:	<u>\$2971 - \$5381</u>	<u>\$4087 - \$7604</u>	<u>\$6083 - \$16668</u>
[2] Indicate percentage of increase in fees imposed during reporting period:	<u>3.25%</u>	<u>5.00%</u>	<u>5.17%</u>

[] Check here if monthly service fees at this community were not increased during the reporting period.

[3] Indicate the date the fee increase was implemented: October 1, 2012

[4] Check each of the appropriate boxes:

Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

FORM 7-1

PROVIDER NAME: URCAD - Pacific Retirement Services
 COMMUNITY NAME: University Retirement Community

Each year as part of our budget process we incorporate suggestions from residents on ways in which we can improve the services we provide. We also work closely with our department heads to include those suggestions where possible and to refine our program of services while keeping the costs as low as possible.

As you can imagine, with so many different individuals: residents, employees and board members, our budget takes several months each year to prepare before it is finalized. The URCAD Board and Pacific Retirement Services have reviewed and approved the budget for this next fiscal year.

Our goal each year is to produce a budget, which keeps monthly rate increases reasonable while continuing to maintain and improve the services we provide. The budget must cover inflationary increases (including the necessary adjustments to salaries and benefits to retain and attract quality employees) and meet regulatory requirements, bond covenants, and our actuarial reserve requirements.

We raised public health rates by 5.5%, public memory care and assisted living fees by 5.5% and Independent living rates by 3.25%. This is necessary to accommodate the rising costs of providing health care. Our goal has been to build and staff University Retirement Community to provide a great place for you to live a happy and healthy life. We will be monitoring our services and implementing changes as necessary.

We realize the importance of keeping fee increases to the most reasonable level possible and have made every effort to do so.

**URCAD
Selected Statistics
2012/13**

OCCUPANCY 2012/2013

<u>Unit Occupancy</u>	<u>Available # of Units</u>	<u>Budget Units @ 09/30/12</u>	<u>Occupied Units @ 5/31/2012</u>	<u>Budget Units @ 09/30/13</u>	<u>Unit + (-)</u>
Independent Living	206	194.6	187.5	193.6	(6.2)
Assisted/Residential Living	36	33.8	35.5	34.6	0.9
Memory Care	14	13.0	11.7	13.0	(1.3)
Other - (Care Suites Manor Terrace)					-
Health Center	37	34	30	34	
CCRC		23	19	21	(2)
PVT		5	5	6	(1)
MCA		4	4	5	(1)
HMO		2	2	2	0
					-
Total	293	275	265	275	(11)

<u>Average Occupancy</u>	<u>Budget Ave occu 09/30/12</u>	<u>Occupied Ave occu 5/31/2012</u>	<u>Prj Occupied Ave occu 09/30/13</u>
Independent Living	94.5%	91.0%	94.0%
Assisted/Residential Living	94.0%	98.6%	96.0%
Memory Care	93.0%	83.4%	93.0%
Other - (Care Suites Manor Terrace)			
Health Center	92.0%	81.3%	92.3%
CCRC			
PVT			
MCA			
HMO			
Etc.			

<u>Resident Census</u>	<u>Budget Residents 09/30/12</u>	<u>Actual Residents Unit + (-)</u>	<u>Prj Occupied Residents 09/30/13</u>	<u>Res + (-)</u>
Independent Living	271	261	274	13.39
Assisted/Residential Living	34	37	35	(2.41)
Memory Care	13	12	13	1.34
Other - (Care Suites Manor Terrace)				-
Health Center	34	30	34	4.08
CCRC				-
PVT				-
MCA				-
HMO				-
Etc.				-
Total	352	339	356	16.40

<u>RATE INCREASE</u>	<u>CCRC</u>	<u>Public</u>
Independent Living	3.25%	
Assisted/Residential Living	4.50%	5.50%
Memory Care	4.50%	5.50%
Other - (Care Suites Manor Terrace)		
Health Center	4.50%	5.50%
Entrance Fees	3.00%	

<u>RESIDENTS & UNITS</u>	<u>2012/13 # Sold Units</u>	<u>2012/13 # of New Res</u>	<u>2012/13 # units vacant</u>
Independent Living	22	27	12
Assisted Living			1

<u>ENTRANCE FEES</u>		<u>INVESTMENT ACTIVITIES</u>	
New Entrance Fees	\$ 4,532,000	Cash and Investments @ year-end	\$ 22,643,507
Entrance Fee Refunds	\$ (211,000)	Unrestricted Investment Return	3.29%
Entrance Fee Amortization (includes termination income)	\$ 3,290,564	Bond Investment Return	0.01%

<u>STAFF</u>		<u>Cost of Debt</u>	
Total Budget FTE's @ 09/30/13	155.74	Bond Interest Expense	588,716
Total Projected FTE's @ 09/30/12	156.26	Bond Fees	159,403
Increase/(Decrease)	(0.53)	Amortization of Issue Costs	49,154
		Assumed Bond Interest Rate	1.74%
Average Wage Increase	2.00%	LOC Fees	0.36%
Average Hourly Rate	\$ 17.78	Remarketing Fees	0.02%
		Other Bond Fees	0.09%
		Bond Amortization	0.15%
		Total Bond Expense	2.35%

<u>OPERATIONS</u>		<u>Swap Net Settlement</u>	
Net Income (Loss)	\$ 1,742,793	Swap Net Settlement Rate	2.84%
Projected Current Year Cash Flow	\$ 3,262,778		
Capital Budget	\$ 1,291,404		